



FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008



Vredeveld Haefner LLC

GRAND VALLEY METROPOLITAN COUNCIL

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INDEPENDENT AUDITORS' REPORT

November 12, 2008

Members of the Council Board
Grand Valley Metropolitan Council
Grand Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Grand Valley Metropolitan Council, as of and for the year ended September 30, 2008, which collectively comprise the Grand Valley Metropolitan Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Grand Valley Metropolitan Council. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Grand Valley Metropolitan Council as of September 30, 2008, and the respective changes in financial position, and the budgetary comparison for the general fund and the REGIS fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated November 12, 2008, on our consideration of the Grand Valley Metropolitan Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Vredeveld Haefner LLC

Management's Discussion and Analysis

About the Council

Grand Valley Metropolitan Council (the "Council") serves local units of government in the West Michigan area in different facets of transportation and land use planning as well as with a Regional Geographic Information System Agency (REGIS). The Council was established in 1990 under Public Act 292 of the Michigan Public Acts of 1989. The Council is governed by a board appointed by participating municipalities.

Financial Highlights

- Through watchful planning and monitoring of expenditures, the Council General Fund was able to end the year with an excess of revenues over expenditures.
- Addition of one new member to the REGIS consortium.
- \$25,481 increase in REGIS revenue from membership dues and recovery fees.
- REGIS Fund fund balance increased by \$182,847 through strategic management of the operating budget. Fund balance was originally projected to decrease by \$240,583.
- Continuing with one of the REGIS strategic goals of *managing REGIS' human and financial resources equitably, respectfully and responsibly*, expenses in various contractual services were strategically kept under 33% of the budgeted amount.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information (this management discussion and analysis) in addition to the basic financial statements themselves.

Government-wide financial statements

The *Government-wide financial statements* are designed to provide readers with a broad overview of the Council's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Council's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Council is improving or deteriorating.

The *statement of activities* presents information showing how the Council's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Council that are principally supported by fees and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The Council currently has no business-type activities.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Council, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Council only utilizes governmental funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Council's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Council's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances, provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Council adopts an annual appropriated budget for its General and REGIS Funds. A budgetary comparison statement has been provided for the General and REGIS Funds to demonstrate compliance with this budget.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This is limited to this discussion and analysis.

Government-wide Financial Analysis

The following table presents condensed information about the Council's financial position for the past two (2) fiscal years. Net assets increased \$194,362 during the year. Total net assets include the investment in capital assets. Capital assets represent the capital assets held by the Council, net of related accumulated depreciation

	<u>2008</u>	<u>2007</u>
Current and other assets	\$2,521,563	\$2,089,741
Capital assets	351,985	439,222
Total assets	2,873,548	2,528,963
Current and other liabilities	671,397	436,051
Long-term liabilities	286,204	371,327
Total liabilities	957,601	807,378
Net assets		
Invested in capital assets, net of related debt	96,825	108,713
Restricted for REGIS	1,052,524	876,407
Unrestricted	766,598	736,465
Total net assets	\$1,915,947	\$1,721,585

Income and Expenses

The Council has maintained a stable financial position during the year ended September 30, 2008. Income was slightly more than expenses. A summary of revenues and expenses for the past two (2) fiscal years is presented below.

	<u>2008</u>	<u>2007</u>
Program revenues		
Charges for services	\$1,251,587	\$1,058,095
Operating grants	1,412,102	1,215,297
General revenues		
Metro Council dues	245,478	243,204
Unrestricted interest income	34,559	33,012
Total revenues	2,943,726	2,549,608
Functions/program expenses		
Transportation	867,756	796,035
Natural resources	366,002	286,587
Land use	254,050	241,105
Administration	342,479	328,769
REGIS	896,779	935,490
Interest expense	22,298	27,706
Total expenses	2,749,364	2,615,692
Change in net assets	194,362	(66,084)
Net assets, beginning of year	1,721,585	1,787,669
Net assets, end of year	\$1,915,947	\$1,721,585

Financial Analysis of the Government's Funds

As noted earlier, the Council uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds The focus of the Council's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Council's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Council's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Council's governmental funds reported combined ending fund balances of \$1,850,166 an increase of \$196,476 from the prior year.

The general fund is the chief operating fund of the Council. At the end of the current fiscal year unreserved and undesignated fund balance was \$790,912. The \$13,629 increase in fund balance was approximately one half of the budgeted increase.

The REGIS fund reported a significant increase in fund balance while a decrease in fund was budgeted. This fluctuation was the result of two full time positions and full time programmer position being vacant during the year, close management of software and licensing cost resulting in lower than budget costs and the capital outlay budget including costs budgeted for future years. As a measure of liquidity, it may be useful to compare unreserved fund balance to total fund expenditures.

Budgetary Highlights

Differences between the original and final amended budget in the General Fund were due to a change in the budget model to budget for principal payments rather than depreciation expenditure. There were no changes to the REGIS Fund budget.

Capital Asset and Long-Term Debt Activities

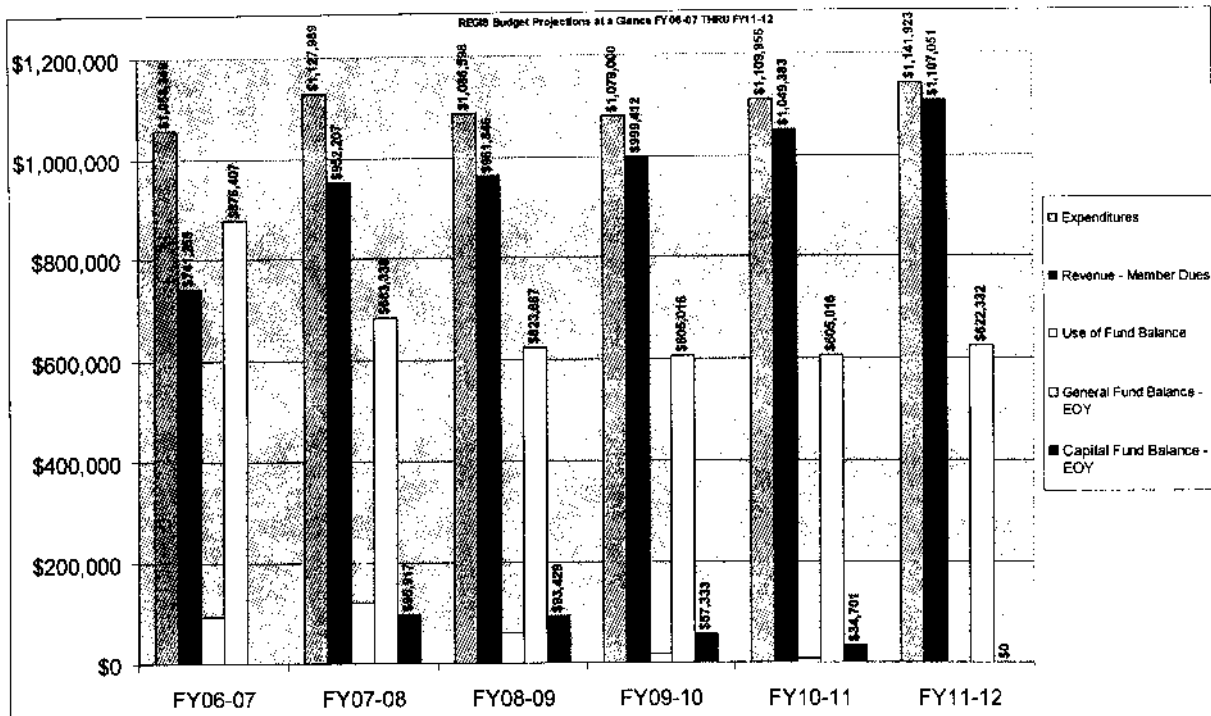
The Council's capital assets consist of furniture and equipment, vehicles and computer hardware and software. Current year additions to capital assets consisted primarily of computers and computer system infrastructure. Additional information on capital assets can be found in note 4 to the financial statements.

Debt activity consists of repayments made during the year on debt outstanding which was issued for the purchase of a road testing vehicle in 2006. Additional information on long-term debt can be found in note 5 to the financial statements.

Economic Factors and Next Year's Budget

The Council is very mindful of the current economic climate as well as the state of cutbacks which are affecting the members of the Council. The Council has made every attempt to provide services at the same level without increasing the cost to members. Expenditures are monitored carefully as well as pursuing any and all sources of additional revenues.

The REGIS budget includes a five year projection maintaining fund balance at 20% of expenditures as well as a separate capital budgets to provide sufficient capital for five years of funding. The following graph details the five year budget.



Contacting the Council Management

This management discussion and analysis provides an overview of the current and prospective financial condition of the Council's operations and financial position. If there are questions concerning this report or if additional information is desired, please contact the Executive Director, Grand Valley Metropolitan Council, 40 Pearl NW, Suite 410, Grand Rapids, MI 49503.

BASIC FINANCIAL STATEMENTS

GRAND VALLEY METROPOLITAN COUNCIL

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,745,524
Accounts receivable	776,039
Capital assets, net	<u>351,985</u>
Total assets	<u>2,873,548</u>
Liabilities	
Accounts payable and accrued expenses	511,075
Accrued compensation	56,990
Unearned revenue	103,332
Noncurrent liabilities	
Compensated absences	31,044
Due within one year	81,521
Due in more than one year	<u>173,639</u>
Total liabilities	<u>957,601</u>
Net Assets	
Invested in capital assets, net of related debt	96,825
Restricted for REGIS	1,052,524
Unrestricted	<u>766,598</u>
Total net assets	<u>\$ 1,915,947</u>

The accompanying notes are an integral part of these financial statements.

GRAND VALLEY METROPOLITAN COUNCIL

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Indirect Expense Allocation</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
			<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government					
Governmental activities					
Transportation	\$ 867,756	\$ 224,906	\$ 153,056	\$ 997,018	\$ -
Natural resources	366,002	-	-	366,628	-
Land use	254,050	-	-	35,386	-
Administration	342,479	(224,906)	36,033	13,070	-
REGIS	896,779	-	1,062,498	-	-
Interest expense	22,298	-	-	-	-
Total governmental activities	<u>\$ 2,749,364</u>	<u>\$ -</u>	<u>\$ 1,251,587</u>	<u>\$ 1,412,102</u>	<u>\$ -</u>
General revenues					
Membership					245,478
Interest earnings					<u>34,559</u>
Total general revenues					<u>280,037</u>
Change in net assets					194,362
Net assets, beginning of year					<u>1,721,585</u>
Net assets, end of year					<u>\$ 1,915,947</u>

The accompanying notes are an integral part of these financial statements.

GRAND VALLEY METROPOLITAN COUNCIL

GOVERNMENTAL FUNDS COMBINING BALANCE SHEET

SEPTEMBER 30, 2008

	<u>General</u>	<u>REGIS</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 654,338	\$ 1,091,186	\$ 1,745,524
Accounts receivable	<u>765,582</u>	<u>10,457</u>	<u>776,039</u>
Total Assets	<u>\$ 1,419,920</u>	<u>\$ 1,101,643</u>	<u>\$ 2,521,563</u>
Liabilities and fund balance			
Liabilities			
Accounts payable and accrued liabilities	\$ 481,833	\$ 29,242	\$ 511,075
Accrued compensation and benefits	43,843	13,147	56,990
Deferred revenue	<u>103,332</u>	<u>-</u>	<u>103,332</u>
Total Liabilities	629,008	42,389	671,397
Fund balances			
Unreserved			
Undesignated	<u>790,912</u>	<u>1,059,254</u>	<u>1,850,166</u>
Total liabilities and fund balance	<u>\$ 1,419,920</u>	<u>\$ 1,101,643</u>	<u>\$ 2,521,563</u>

The accompanying notes are an integral part of these financial statements.

GRAND VALLEY METROPOLITAN COUNCIL

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

Fund balances - total governmental funds	\$ 1,850,166
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	351,985
Certain liabilities, such as notes payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(31,044)
Deduct - notes payable	<u>(255,160)</u>
Net assets of governmental activities	<u>\$ 1,915,947</u>

The accompanying notes are an integral part of these financial statements.

GRAND VALLEY METROPOLITAN COUNCIL

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>General</u>	<u>REGIS</u>	<u>Total</u>
Revenues			
Federal grants - transportation	\$ 924,956	\$ -	\$ 924,956
Federal grants - other	113,623	-	113,623
State and local grants	342,276	-	342,276
Membership and project fees	398,534	954,617	1,353,151
Membership recovery fees	-	47,133	47,133
Donations	24,070	-	24,070
Charges for services	43,210	24,787	67,997
Interest income	34,559	35,961	70,520
Total revenues	<u>1,881,228</u>	<u>1,062,498</u>	<u>2,943,726</u>
Expenditures			
Current			
General government			
Salaries	761,196	444,708	1,205,904
Fringes	265,994	154,230	420,224
Contract services	475,531	132,066	607,597
Professional fees	-	11,605	11,605
Legal services	10,368	4,282	14,650
Audit services	8,150	2,600	10,750
Advertising	2,710	5,217	7,927
Insurance	15,675	3,058	18,733
Meeting expenditures	30,308	1,189	31,497
Dues and subscriptions	4,201	1,896	6,097
Equipment rental	5,567	2,327	7,894
Office supplies	6,727	6,949	13,676
Mileage	14,898	5,433	20,331
Postage	965	116	1,081
Printing	807	317	1,124
Electricity	6,645	4,014	10,659
Telephone	9,598	8,610	18,208
Professional development	9,785	9,701	19,486
Rent	62,778	43,010	105,788
Equipment	24,767	2,065	26,832
Repairs and maintenance	31,662	1,963	33,625
Fuel & oil	2,052	-	2,052
Westrain activities	19,179	-	19,179
Miscellaneous	389	485	874
Capital outlay	-	33,810	33,810
Debt service			
Principal	75,349	-	75,349
Interest	22,298	-	22,298
Total expenditures	<u>1,867,599</u>	<u>879,651</u>	<u>2,747,250</u>
Net changes in fund balances	13,629	182,847	196,476
Fund balances, beginning of year	<u>777,283</u>	<u>876,407</u>	<u>1,653,690</u>
Fund balances, end of year	<u>\$ 790,912</u>	<u>\$ 1,059,254</u>	<u>\$ 1,850,166</u>

The accompanying notes are an integral part of these financial statements.

GRAND VALLEY METROPOLITAN COUNCIL

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Net changes in fund balances - total governmental funds	\$ 196,476
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Amounts reported for *governmental activities* in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	59,995
Deduct - depreciation expense	(143,102)
Deduct - net book value of disposed capital assets	(4,130)

Bond or note proceeds provide current financial resources to governmental funds in the period issued, but issuing notes increases long-term liabilities in the statement of net assets. Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term debt	75,349
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in compensated absences	<u>9,774</u>
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Change in net assets of governmental activities	<u>\$ 194,362</u>
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The accompanying notes are an integral part of these financial statements.

GRAND VALLEY METROPOLITAN COUNCIL

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Federal grants - transportation	\$ 1,174,418	\$ 1,174,418	\$ 924,956	\$ (249,462)
Federal grants - other	48,000	40,000	113,623	73,623
State and local grants	312,506	322,996	342,276	19,280
Membership and project fees	397,344	398,534	398,534	-
Donations	1,500	10,500	24,070	13,570
Charges for service	25,200	45,900	43,210	(2,690)
Interest income	30,000	30,000	34,559	4,559
Total revenues	<u>1,988,968</u>	<u>2,022,348</u>	<u>1,881,228</u>	<u>(141,120)</u>
Expenditures				
Current				
General government				
Salaries	792,700	800,100	761,196	38,904
Fringes	291,939	292,719	265,994	26,725
Contract services	460,753	472,807	475,531	(2,724)
Professional fees	1,000	1,000	-	1,000
Legal services	1,500	11,960	10,368	1,592
Audit services	9,000	9,000	8,150	850
Advertising	4,000	4,750	2,710	2,040
Insurance	16,500	16,500	15,675	825
Meeting expenditures	50,350	50,350	30,308	20,042
Dues and subscriptions	4,500	5,000	4,201	799
Equipment rental	6,250	6,550	5,567	983
Office supplies	16,800	16,800	6,727	10,073
Mileage	18,150	18,900	14,898	4,002
Postage	3,700	3,700	965	2,735
Printing	3,250	3,250	807	2,443
Electricity	7,800	7,800	6,645	1,155
Telephone	12,900	14,100	9,598	4,502
Professional development	18,000	18,000	9,785	8,215
Rent	63,150	63,150	62,778	372
Equipment, furniture and software	36,000	36,000	24,767	11,233
Repairs and maintenance	9,500	34,400	31,662	2,738
Depreciation	82,500	-	-	-
Fuel & oil	8,000	8,000	2,052	5,948
Westrain activities	-	-	19,179	(19,179)
Miscellaneous	1,000	1,000	389	611
Capital outlay	2,500	2,500	-	2,500
Debt service				
Principal	-	75,775	75,349	426
Interest	22,000	22,000	22,298	(298)
Total expenditures	<u>1,943,742</u>	<u>1,996,111</u>	<u>1,867,599</u>	<u>128,512</u>
Net changes in fund balance	<u>45,226</u>	<u>26,237</u>	<u>13,629</u>	<u>(12,608)</u>
Fund balance, beginning of year	<u>777,283</u>	<u>777,283</u>	<u>777,283</u>	<u>-</u>
Fund balance, end of year	<u>\$ 822,509</u>	<u>\$ 803,520</u>	<u>\$ 790,912</u>	<u>\$ (12,608)</u>

The accompanying notes are an integral part of these financial statements.

GRAND VALLEY METROPOLITAN COUNCIL

REGIS FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budget Amounts		Actual	Variance
	Original	Final	Amount	Positive (Negative)
Revenues				
Membership dues	\$ 952,207	\$ 952,207	\$ 954,617	\$ 2,410
Membership recovery fees (new members)	41,852	41,852	47,133	5,281
Charges for services	30,000	30,000	24,787	(5,213)
Interest income	25,000	25,000	35,961	10,961
Total revenues	<u>1,049,059</u>	<u>1,049,059</u>	<u>1,062,498</u>	<u>13,439</u>
Expenditures				
Current				
General government				
Salaries	557,435	557,435	444,708	112,727
Fringes	201,031	201,031	154,230	46,801
Contract services				
Software maintenance agreements	145,000	145,000	103,984	41,016
Software license	26,500	26,500	15,896	10,604
Other contractual services	27,575	27,575	12,186	15,389
Professional fees	25,750	25,750	11,605	14,145
Legal services	3,183	3,183	4,282	(1,099)
Audit services	3,713	3,713	2,600	1,113
Advertising	1,545	1,545	5,217	(3,672)
Insurance	5,305	5,305	3,058	2,247
Meeting expenditures	6,500	6,500	1,189	5,311
Dues and subscriptions	1,060	1,060	1,896	(836)
Equipment rental	3,605	3,605	2,327	1,278
Office supplies	8,412	8,412	6,949	1,463
Mileage	6,000	6,000	5,433	567
Postage	515	515	116	399
Printing	1,000	1,000	317	683
Electricity	5,000	5,000	4,014	986
Telephone	10,000	10,000	8,610	1,390
Professional development	18,000	18,000	9,701	8,299
Rent	56,650	56,650	43,010	13,640
Equipment and furniture	9,060	9,060	2,065	6,995
Repairs and maintenance	3,090	3,090	1,963	1,127
Miscellaneous	2,060	2,060	485	1,575
Capital outlay	161,653	161,653	33,810	127,843
Total expenditures	<u>1,289,642</u>	<u>1,289,642</u>	<u>879,651</u>	<u>409,991</u>
Net changes in fund balance	(240,583)	(240,583)	182,847	423,430
Fund balance, beginning of year	<u>876,407</u>	<u>876,407</u>	<u>876,407</u>	<u>-</u>
Fund balance, end of year	<u>\$ 635,824</u>	<u>\$ 635,824</u>	<u>\$ 1,059,254</u>	<u>\$ 423,430</u>

The accompanying notes are an integral part of these financial statements.

GRAND VALLEY METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Grand Valley Metropolitan Council (the "Council") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Grand Valley Metropolitan Council. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the Council.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by member fees and intergovernmental revenues are reported in total. The Council has no business-type or fiduciary activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Member fees and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

All individual governmental funds are reported as separate columns in the fund financial statements.

The Council reports the following major governmental funds

The *General Fund* is the general operating fund of the Council. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *REGIS Fund* accounts for the accumulation and disbursement of resources for the Regional Geographic Information System Agency.

When both restricted and unrestricted resources are available for use, it is the Council's policy to use restricted resources first, then unrestricted resources as they are needed.

GRAND VALLEY METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Member fees are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants and interest which use a one year collection period. Grants and similar items are recognized as revenue when the related expenditure is recognized. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include: (1) principal and interest on long-term debt and compensated absences which are recognized when due.

All Governmental Funds are accounted for on a spending or "flow of financial resources" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available, spendable resources".

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available, spendable resources" during a period.

Budgets and Budgetary Accounting

Comparisons to budget are presented for the General and REGIS Funds. The Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Executive Director submits to the Council Board a proposed operating budget for the fiscal year commencing the following October 1.
2. Public hearings are conducted to obtain comments.
3. Prior to October 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the funds.

GRAND VALLEY METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

5. The budgets for the General and REGIS Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Adoption and amendments of all budgets used by the Council are governed by Michigan Law. The appropriations ordinances are based on the projected expenditures budget of the various functions of the Council. Any amendment to the original budget must meet the requirements of Michigan Law. The Council did amend its budget for the year ended September 30, 2008. Any revisions that alter the expenditures at the function level within the fund must be approved by the Council Board.

Deposits and Investments

State statutes authorize the Council to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The Council's investment policy is more restrictive than state requirements and allows for investment in only those investment vehicles identified in items g. above.

Accounts Receivable

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances are immaterial to the financial statements.

GRAND VALLEY METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Capital Assets

Capital assets, which include furniture and fixtures, equipment, computers, and vehicles are reported in the governmental activities column in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Furniture and fixtures	7
Equipment	7
Computers	5
Vehicles	5

Deferred Revenue

Funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

Compensated Absences

Under employee policy, employees have a vested right to receive payments for unused vacation benefits under formulas and conditions specified in the personnel procedures manual. Accumulated vacation time related to governmental funds is recorded on the statement of net assets and not on the governmental fund balance sheets because it is not expected to be liquidated with expendable available financial resources.

Membership dues

The Council receives dues from local units of government in west Michigan who wish to participate. Dues are computed on a per capita basis based on the most recent population data. Dues revenue is recognized as revenue in the year for which it is levied.

Grants and Other Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

GRAND VALLEY METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Long-Term Obligations

In the government-wide financial statements the long-term debt is reported as a liability in the governmental activities statement of net assets.

Risk Management

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended September 30, 2008, the Council carried commercial insurance to cover risks of losses. The Council has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

PA. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Council's actual expenditures and budgeted expenditures for the budgetary funds have been shown at the line item level while the legal level of budgetary control as set by the board is at the function level.

3. DEPOSITS AND INVESTMENTS

The balance on the financial statements for cash and cash equivalents of \$1,745,524 consists of deposits in a bank of \$106,282 and funds held in the Kent County Public Funds Investment Pool of \$1,633,484.

This balance is in a financial institution located in Michigan. State policy limits the Council's investing options to financial institutions located in Michigan. All accounts are in the name of the Council and a specific fund or common account. They are recorded in Council records at fair value.

Deposit risk

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Council's deposits may not be returned. As of year-end, \$100,000 of the Council's bank balance of \$126,497 is insured; the remaining amount is collateralized with securities held by the pledging financial institutions trust department but not in the Council's name.

GRAND VALLEY METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Investment and deposit risk

Interest Rate Risk. State law and Council policy limit the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. The Council's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. There is no stated maturity date for the investment in the Kent County Public Funds Investment Pool identified above.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note 1, the summary of significant accounting policies. The Council's investment policy does not have specific limits in excess of state law on investment credit risk. The investment in the Kent County Public Funds Investment Pool is not rated as to risk.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Council will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Council does not have a policy for investment custodial credit risk. Custodial credit risk associated with the investment in the Kent County Public Funds Investment Pool cannot be determined because the investment does not consist of specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1, the summary of significant accounting policies. The Council's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance October 1, 2007	Additions	Deletions	Balance September 30, 2008
Governmental activities				
Capital assets, being depreciated				
Furniture and fixtures	\$96,006	\$ -	\$ -	\$96,006
Equipment and vehicles	837,025	59,995	17,603	879,417
Total capital assets, being depreciated	933,031	59,995	17,603	975,423
Less accumulated depreciation for				
Furniture and fixtures	95,954	35	-	95,989
Equipment and vehicles	397,855	143,066	13,473	527,448
Total accumulated depreciation	493,809	143,102	13,473	623,438
Governmental activities capital assets, net	\$439,222	\$(83,107)	\$(4,130)	\$351,985

GRAND VALLEY METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
Transportation	\$ 95,867
REGIS	<u>47,235</u>
Total	<u>\$143,102</u>

5. LONG-TERM LIABILITIES

The following is a summary of the long-term liabilities transactions of the Council for the year.

	Balance October 1, 2007	Additions	Deletions	Balance September 30, 2008	Due Within One Year
Governmental Activities					
Note payable to a bank. Payments due in monthly installments of \$8,137 through August 2011, including interest at 7.4%	\$330,509	\$ -	\$ 75,349	\$255,160	\$81,493
Compensated absences payable	\$ 40,818	\$31,044	\$ 40,818	\$ 31,044	\$31,044

The annual requirements to amortize all debt outstanding as of September 30, 2008 are as follows:

Year Ended September 30	Governmental Activities	
	Principal	Interest
2009	\$ 81,493	\$16,155
2010	87,732	9,915
2011	<u>85,935</u>	<u>3,201</u>
Total	<u>\$255,160</u>	<u>\$29,271</u>

GRAND VALLEY METROPOLITAN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

6. LEASES

The Council leases office space under a lease agreement expiring December 31, 2008, with an option to renew for two additional five year terms. Rent expenditures for the office lease were \$105,788 for the year ended September 30, 2008. The Council also leases office equipment under various lease terms expiring through 2013. Equipment rental expenditures were \$6,894 for the year ended September 30, 2008.

The following is a schedule of future minimum lease payments required under non-cancelable operating leases with remaining lease terms in excess of one year as of September 30, 2008:

<u>Year</u>	<u>Amount</u>
2009	\$32,178
2010	6,528
2011	6,528
2012	6,200
2013	3,420
Total	<u>\$54,854</u>

7. DEFINED CONTRIBUTION PENSION PLAN

The Council maintains a defined contribution plan, which provides pension benefits to participating full-time employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees who voluntarily elect to participate in the plan are required to contribute 3% of eligible wages. The Council contributes 9% of each participant's eligible wages to the plan. The plan provisions and contribution amounts were established and may be amended by the Council Board. The Council's total payroll for the year ending September 30, 2008 was \$1,205,904. The Council's contribution of \$106,225 was calculated using the base salary amount of \$1,180,277. Council employees made contributions to the plan totaling \$35,404, which was 3% of covered payroll.



SINGLE AUDIT REPORTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008



Vredeveld Haefner LLC

GRAND VALLEY METROPOLITAN COUNCIL

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

November 12, 2008

Members of the Council Board
Grand Valley Metropolitan Council
Grand Rapids, Michigan

We have audited the financial statements of the governmental activities and each major fund of the Grand Valley Metropolitan Council, Grand Rapids, Michigan, as of and for the year ended September 30, 2008, which collectively comprise the Grand Valley Metropolitan Council's basic financial statements and have issued our report thereon dated November 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Grand Valley Metropolitan Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Grand Valley Metropolitan Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Grand Valley Metropolitan Council's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Grand Valley Metropolitan Council's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Grand Valley Metropolitan Council's financial statements that is more than inconsequential will not be prevented or detected by the Grand Valley Metropolitan Council's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2008-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Grand Valley Metropolitan Council's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Grand Valley Metropolitan Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

November 12, 2008

Members of the Council Board
Grand Valley Metropolitan Council
Grand Rapids, Michigan

Compliance

We have audited the compliance of the Grand Valley Metropolitan Council with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2008. The Grand Valley Metropolitan Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Grand Valley Metropolitan Council's management. Our responsibility is to express an opinion on the Grand Valley Metropolitan Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Grand Valley Metropolitan Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Grand Valley Metropolitan Council's compliance with those requirements.

In our opinion, the Grand Valley Metropolitan Council complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as items 2008-02.

Internal Control Over Compliance

The management of the Grand Valley Metropolitan Council is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Grand Valley Metropolitan Council's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the

effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Grand Valley Metropolitan Council's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities and each major fund of the Grand Valley Metropolitan Council as of and for the year ended September 30, 2008, and have issued our report thereon dated November 12, 2008. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grand Valley Metropolitan Council's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Orlando Hoefner LLC

GRAND VALLEY METROPOLITAN COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass- through Grantor's Number	Approved Grant Award Amount	Expenditures of Federal Awards
Federal Highway Administration				
Passed through Michigan Department of Transportation				
FY 2008 Unified Work Program	20.205	2006-0004/Z16	\$ 714,104	\$ 547,227
FY 2008 Unified Work Program	20.205	2006-0004/Z17	156,130	133,646
STPU - Pavement Management System	20.205	2006-0004/Z18/R1	270,419	122,237
STPU - Geographic Information System	20.205	2006-0004/Z19/R1	170,662	24,576
STPU - Congestion Management System	20.205	2006-0004/Z20/R1	184,253	60,799
Ozone Action	20.205	2006-0004/Z23/R1	143,484	36,471
SPR Funding to Update the Transportation Model	20.205	2006-0004/Z24	800	-
Total passed through Michigan Department of Transportation			1,639,852	924,956
TOTAL FEDERAL HIGHWAY ADMINISTRATION			1,639,852	924,956
 US Environmental Protection Agency				
Passed through Michigan Department of Environmental Quality				
Lower Grand River Organization of Watersheds Initiative	66.460	2007-0137	372,618	65,869
Lower Grand River Implementation Project	66.460	2004-0136	264,945	47,754
Total passed through Michigan Department of Transportation			637,563	113,623
TOTAL US ENVIRONMENTAL PROTECTION AGENCY			637,563	113,623
TOTAL			\$ 2,277,415	\$ 1,038,579

Notes to Schedule of Expenditures of Federal Awards

1. This schedule is presented on the modified accrual basis of accounting.
2. Expenditures in this schedule are in agreement with amounts reported in the financial statements.

GRAND VALLEY METROPOLITAN COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unqualified on basic financial statements	
Internal controls over financial reporting		
Material weaknesses identified?	<u> X </u> yes	<u> </u> no
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major programs		
Material weaknesses identified?	<u> </u> yes	<u> X </u> no
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported
Type of auditors' report issued on compliance for major programs	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, section 510(a)?	<u> X </u> yes	<u> </u> no

Identification of Major Programs

CFDA Number(s)

20.205

Name of Federal Program or Cluster

Transportation

Dollar threshold used to distinguish between Type A and B programs?

\$300,000

Auditee qualified as low-risk auditee?

 yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

2008-1

Conditions: Grand Valley Metropolitan Council does not have procedures in place to prepare financial statements in accordance with generally accepted accounting principles including procedures to record certain revenue and expenditure accruals and to present required financial statement disclosures.

Effect: Auditing standards require that this control deficiency be reported as a material weakness.

Recommendation: Grand Valley Metropolitan Council's system of control should be modified so that financial statements and disclosures can be prepared in accordance with generally accepted accounting principles.

Management response: Grand Valley Metropolitan Council maintains its financial records throughout the year on a modified accrual basis of accounting and has determined that any benefits derived from preparing annual accrual basis financial statements and required disclosures would exceed the costs to do so.

GRAND VALLEY METROPOLITAN COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2008-2

Conditions: Grand Valley Metropolitan Council did not complete at least monthly documentation supporting time charged to a federal grant program for a specific employee.

Effect: The lack of monthly documentation supporting time charged to federal programs is required by Office of Management and Budget Circulars for employees working on multiple programs.

Recommendation: Grand Valley Metropolitan Council's system of accounting for time expended on federal programs should include maintaining required documentation supporting all direct charges of employee time to each program.

Management response: Grand Valley Metropolitan Council maintains approved time sheets for each employee that is directly charged to federal programs except for the individual noted above. The Grand Valley Metropolitan Council is implementing a policy to assure that all time directly charged to federal programs is supported by appropriate documentation as required by current Office of Management and Budget Circulars.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

2007-1

This finding is identified as 2008-1 above for the current year.